
Direct Loans

William D. Ford Federal Direct Loan Program

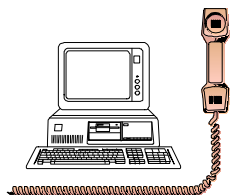
VOLUME I, NUMBER 2

NEWSLETTER

NOVEMBER-DECEMBER 1995

(FAFSA EXPRESS)

A CONVENIENT WAY TO SUBMIT YOUR APPLICATION FOR FEDERAL STUDENT AID



Students applying for financial aid will find it much easier and faster using FAFSA Express. FAFSA Express is a financial aid software package that students may use to complete and submit their Free Application for Federal Student Aid (FAFSA) electronically, via any IBM compatible personal computer equipped with a hard disc and a modem. We also recommend that the student have access to a printer. FAFSA Express is designed to improve data quality and provide convenient access to the financial aid application process.

FAFSA Express has a user-friendly Windows format which includes detailed, on-line instructions. The data entered by the student is automatically edited by FAFSA Express then transmitted directly to the Department of Education's Central Processing System (CPS). To finalize the application process, the applicant must sign the signature page and mail it to the FAFSA processor. A student's eligibility for financial aid is determined within 72 hours of receipt of the completed application.

Like all U.S. Department of Education financial aid software products, FAFSA Express is free. FAFSA Express software is distributed by the Department of Education to postsecondary institutions, selected public libraries, guidance offices, and TRIO and Educational Opportunity Centers (EOC). The Department is encouraging institutions and organizations that receive the software to install it on computers that are easily accessible to students. Students may also obtain FAFSA Express software for their home PCs.

To order FAFSA Express software or for additional information regarding hardware requirements, please contact our customer service office on 1-800-801-0576. This 800 number may also be used to check on the status of a FAFSA Express application.

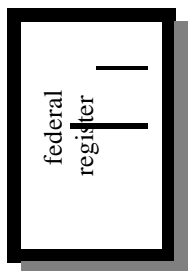
DIRECT CONSOLIDATION LOAN: EASY REPAYMENT OF PAST, PRESENT & FUTURE EDUCATION LOANS

Borrowers with different types of loans and varying interest rates may combine the outstanding balance of any or all of their federal student loans into one single loan through a Direct Consolidation Loan. With a Direct Consolidation Loan, a borrower may combine any federal guaranteed subsidized, unsubsidized or PLUS loan and have the convenience of only one monthly statement, one monthly payment and one point of contact. There are no fees and no minimum or maximum loan limits.

Benefits of Direct Consolidation Loan

Direct Consolidation Loan gives borrowers the opportunity to combine past loans, and possibly extend the payback period from 10 years up to 30 years. Borrowers will also have flexible choices for repayment: income contingent, standard, extended or graduated (*See page 3*). Some borrowers could possibly reduce their interest rates, because Direct Consolidation Loans are based on variable interest rates with statutory caps of 8.25 percent for students and 9 percent for parents. (*Cont Page 3*)

Notice of Proposed Rulemaking Published September 21, 1995
(Student Financial Assistance Programs; Federal Regulatory Assistance Review)



Expansion of Parent Borrowers. The Secretary proposes to expand the pool of borrowers under the Federal Direct PLUS and Federal PLUS programs to include the student's stepparent if the stepparent's income and assets are taken into account when determining the student's expected family contribution.

The Secretary is proposing this expansion to provide greater flexibility to the student's family in paying for the student's educational costs. Final Regulations should be published by December 1, 1995.

Flexibility In Notification of Funds Credited to Student's Account. The Secretary is proposing to provide institutions more flexibility in notifying a student or parent borrower that Direct Loan or FFEL Program funds have been credited to a student's account. Under current regulations, the institution must provide such notification in writing. Under the proposed rules, the institution could notify the student or parent electronically via e-mail, or through a telecommunication device such as a telephone message system. Final Regulations should be published by December 1, 1995.

Federal Register dates for NPRMs summarized in the September/October Edition of the Direct Loans Newsletter:

- **Cohort Default Rate:** September 21, 1995
- **Direct Loan Policy Changes:** September 20, 1995
- **Revised Income Contingent Repayment Plan Formula:** September 20, 1995

QUESTIONS & ANSWERS

How early can schools make a disbursement prior to the second semester or other subsequent term?

The same rules regarding disbursements made prior to the first semester apply to disbursements made prior to the second semester or any subsequent term.

A school can make a second or subsequent disbursement 10 days prior to the first day of a semester, term or other period of enrollment.

If interest accrues and is capitalized (added to principal) on a Direct Subsidized or Unsubsidized Loan, does the capitalized interest count towards a borrower's aggregate loan balance?

No. Only the original amount borrowed is counted towards a borrower's aggregate loan balance.

Can level two originating schools and schools that use the alternative originator retain funds for more than three days without using them?

Under cash management regulations, schools are allowed to retain Title IV funds for an additional seven days, if they meet certain excess cash tolerance requirements **and** if they will disburse the funds by the end of the seven day period.

Level two originating schools and schools that use the alternative originator may **only** retain funds they have not used in three days if they meet the excess cash tolerances and if the student for whom the funds were intended is ineligible for Title IV aid but will become eligible within the next seven days. The funds may be retained only if the funds can be disbursed to **that** borrower within seven days.

CONSOLIDATION (Continued)

Who may apply for a Direct Consolidation Loan?

Any borrower attending a Direct Loan school, has a loan under the Direct Loan program, or a borrower with a Federal Family Education Loan (FFEL), who is either unable to obtain a FFEL consolidation loan or a loan with income sensitive repayment terms acceptable to the borrower, may apply for a Direct Consolidation Loan. Borrowers who have defaulted may also apply for a consolidation loan if they agree to repay the loan under the income contingent plan or make three consecutive payments on the defaulted loan under satisfactory repayment arrangements. Direct Consolidation Loans for in-school borrowers will be available beginning in February 1996. However, only Direct and FFEL loans may be consolidated during the in-school period.

Consolidation Loan Repayment Plans

- **Income Contingent Repayment Plan** The monthly payment is determined by adjusted gross income (AGI), family size, and loan amount. The loan is recalculated annually to reflect the AGI.
- **Standard Repayment Plan.** The borrower makes fixed monthly payments (of at least \$50) based on the amount borrowed. The maximum repayment period is 10 years.
- **Extended Repayment Plan.** The borrower makes fixed monthly payments (of at least \$50) for a period of time that varies, from 12 to 30 years, depending on the loan amount.
- **Graduated Repayment Plan.** The borrower makes fixed monthly payments at two or more levels (low amount for early years and higher amount in later years) over a period of time that varies, from 12 to 30 years, with the size of the loan.

Which loans may be consolidated?

- ✓ Direct (subsidized & unsubsidized loans)
- ✓ FFEL Stafford Loans (subsidized & unsubsidized)
- ✓ Federal Perkins Loans
- ✓ Guaranteed Student Loans (GSL)
- ✓ Federal Insured Student Loans (FISL)
- ✓ Federal Supplemental Loans for Students (SLS)
- ✓ Auxiliary Loans to Assist Students (ALAS)
- ✓ Direct Consolidation Loans
- ✓ FFELP Consolidation Loans
- ✓ Health Professions Student Loans (HPSLP)
- ✓ Health Education Assistance Loan (HEAL)
- ✓ Nursing Student Loan Program (NSLP)
- ✓ Loans for Disadvantaged students (LDS)

Borrowers interested in consolidation should call the Direct Loan Servicing Center on 1-800-848-0979.

EDEXPRESS TIPS FOR SAFEGUARDING DATA

The best way to ensure that data loss will not occur is to back up your data. EDEExpress does not include a utility to do an automatic back up, however, there are many well known products for storing data including: Norton Backup, Central Point Backup, and MS Backup which is included with Windows 3.3.

Deciding on a media: disk or tape storage

After selecting a product, you will need to decide whether to store your data on disk or tape.

Disk back up is the least expensive because it requires no additional hardware. However, because the data is stored on a floppy disk, storage capacity is limited. Disk backup also requires constant monitoring. You must attend the computer during the back up to change disks as each is filled.

Tape back up requires the installment of a special tape drive in the computer. The advantage of using a tape backup is that most tape drives on the market today can back up 250 megs of data on a single tape, the equivalent of 180 3.5 inch floppy disks. Tape backup is the quickest way to back up

and it does not require constant monitoring.

Save the configuration

The configuration defines what will be backed up, where it will be backed up and what method will be used. You should save the configuration when you perform the initial back up. With each subsequent back up you can tell the computer to use the same configuration. Manuals accompanying the software include step-by-step instructions to guide you through this process.

When to backup

EDEExpress recommends a full back up once a week. A full back up saves every file. A partial back up will save only those files that were changed since your last backup.

For help with your backup contact your Regional Account Manager.

ANNOUNCEMENTS

Workshop, EDExpress: Your Gateway to the Future. The Department of Education will hold two EDE workshops on November 28-30 in San Francisco, California and December 11-13 in Orlando, Florida. The three day workshops will offer 30 concurrent sessions on all aspects of EDE. For more information, or to register for the workshops contact Debra Banks of Walcoff & Associates, Inc. by Fax: 1-703-934-9868, or Voice: 1-703-267-3581.

Video re: Direct Consolidation Loans, Direct Loan Regulatory changes and the new LOS and servicing Systems. On September 14, 1995 the Direct Loan Task Force held an interactive video conference to discuss issues related to the Direct Loan program. The Task Force has regular video conferences to promote a better understanding of Direct Loan policies and to provide updates about customer services. To obtain a copy of this or other video conferences, call 1-800-433-3243.

ABOUT OUR NEWSLETTER

The Direct Loan Newsletter is published bi-monthly by:
Office of Postsecondary Education
Direct Loan Task Force
U.S. Department of Education
600 Independence Avenue SW
Washington, D.C. 20202-5111

Editor: Joyce Rice

Copies are available free of charge upon request from the Direct Loan Servicing Center, School Relations Division, 1-800-848-0978

1995-96 Student Guide to Federal Financial Aid Programs. As of July 1995, the full text and graphics of the Student Guide can be viewed on the Department of Education's World Wide Web (WWW) Server. The Uniform Resource Locator (URL) address for the 1995-96 Student Guide is: http://www.ed.gov/prog_info/SFA/StudentGuide/

DIRECT LOANS TELEPHONE NUMBERS

SFA Bulletin Board System

Modem 800-429-9933

Internet sfa.ope.ed.gov

or 192.239.34.85

Customer Support 800-433-7327

Facsimile 202-260-4199

Direct Consolidation Loans

800-848-0979

FASFA Express 800-801-0576

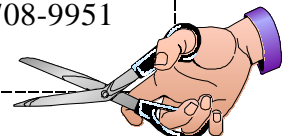
Federal Regulations (copies of)

800-433-3243

Publications 800-848-0978

Software 800-866-1808

Technical Support 202-708-9951



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